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FORM ADV PART 2 - BROCHURE FOR HOPE ADVISORS, LLC  
June 30, 2013

COVER PAGE

HOPE ADVISORS, LLC  
A TENNESSEE LIMITED LIABILITY COMPANY  
3001 Hillsboro Rd.  
Brentwood, Tennessee 37027  
615-370-5862

**This brochure provides information about the qualifications and business practices of Hope Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 615-370-5862 and/or kbruton1@gmail.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state authority.**

Additional information about Hope Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Upon registration of Parts 1 and 2 of Form ADV with the SEC, Hope Advisors, LLC will be a Registered Investment Advisor. That fact, that Hope Advisors, LLC is registering with the SEC, does not imply a certain level of skill or training.

## TABLE OF CONTENTS

	<u>Page</u>
Item 1 COVER PAGE.....	1
Item 2 MATERIAL CHANGES.....	NA
Item 3 TABLE OF CONTENTS.....	2
Item 4 ADVISORY BUSINESS.....	3
Item 5 FEES AND COMPENSATION.....	5
Item 6 PERFORMANCE BASED FEES AND SIDE BY SIDE MANAGEMENT	8
Item 7 TYPES OF CLIENTS.....	9
Item 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	9
Item 9 DISCIPLINARY INFORMATION.....	11
Item 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	11
Item 11 CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	12
Item 12 BROKERAGE PRACTICES.....	12
Item 13 REVIEW OF ACCOUNTS.....	13
Item 14 CLIENT REFERRALS AND OTHER COMPENSATION.....	13
Item 15 CUSTODY.....	13
Item 16 INVESTMENT DISCRETION.....	14
Item 17 VOTING CLIENT SECURITIES.....	14
Item 18 FINANCIAL INFORMATION.....	14
Item 19 REQUIREMENTS FOR STATE-REGISTERED ADVISERS.....	14

#### Item 4. Advisory Business.

HOPE ADVISORS, LLC  
A TENNESSEE LIMITED LIABILITY COMPANY  
3001 Hillsboro Rd.  
Brentwood, Tennessee 37027

(615) 370-5862

Hope Advisors, LLC ("HA") is a Tennessee limited liability company organized on March 23, 2011. It is wholly owned by Karen Bruton. It currently represents two clients; Hope Investments, LLC ("HI") and HDB Investments, LLC ("HDB"). HI and HDB are also referred to as "Client" or "Clients." Both of these Clients are Tennessee limited liability companies. Hope Investments, LLC has offered membership interests to investors pursuant to exemptions contained in the Securities Act of 1933; said exemptions contained in Sections 3(b) and 4(2) of the Act and Rule 506 contained in Regulation D, promulgated by the Securities and Exchange Commission ("SEC"). The company has published, pursuant to that exemption, a Confidential Private Placement Memorandum ("CPPM") dated March 23, 2011, amended January 31, 2012. HDB Investments, LLC is a closely held company with a minimum number of members and no current plans to expand the membership. HDB has an operating agreement entitled the Second Amended and Restated Operating Agreement, dated January 24, 2013 (hereafter "Operating Agreement" or "HDB's Operating Agreement"). Both Clients are considered "pooled investment vehicles."

HI is a Tennessee LLC, and twenty percent (20%) of the profits ("Incentive Fees") on trades are allocated to the holders of twenty percent (20%) of the membership interests, in Class B and Class C Membership Interests as described below. The details of the membership interests are described in the CPPM. The investors in HI hold, pro-rata, the Class A Membership Interests. The Class A Membership Interests are entitled to eighty percent (80%) of the profits on trades/investments in the Market. The Class A Membership Interests are protected by a High Water Mark clause in which any loss by the Client in any month is made up "dollar for dollar" before the twenty percent (20%) Incentive Fee is paid again on profits made on the trades. The twenty percent (20%) Incentive Fee in HI is owned by the holders of the Class B and Class C membership interests. Class B Membership Interests are entitled to ten percent (10%) of the profits on trades, but do not have voting rights and do not have a duty to pay any expenses of the LLC. Class C Membership Interests are entitled to ten percent (10%) of the profits on trades, and do have one hundred percent (100%) of the voting rights of the LLC and pay one hundred percent (100%) of the expenses of the LLC, **except those fees charged** by the Client's Futures Commission Merchant; which fees are charged directly as trades are made before gains or losses on the trades are calculated. HI's and HDB's Futures Commission Merchant is TD Ameritrade Clearing, Inc. through its division "thinkorswim." Thinkorswim is the trading account for both HI and HDB, with separate trading accounts each for of them. HI and HDB each manage its own trading account with thinkorswim.



HA has a distinct relationship with each Client. HDB was formed on April 3, 2008 with four members. Karen Bruton was a member, was named the Investment Manager and is paid a twenty percent (20%) "Incentive Allocation." Other members work with her as Investment Managers, under the authority granted to Ms. Bruton and under her control regarding the investment duties and the distribution of the Incentive Allocation.

For clarification, (1) all references to the Incentive Fee, the Performance Fee, the twenty percent (20%) Incentive Fee or similar references are defined to mean fees paid only on **realized gains**. In the event of **realized losses**, the High Water Mark protects Clients and the investors in the Clients from any payment of Incentive Fees until losses have been recouped in full. Also for clarification, (2) HA is the Investment Advisor and Commodity Pool Operator for its Clients, HI and HDB. Any reference hereafter to trades made by HA, or similar language, means that HA recommends the trades to HI and HDB. The actual trades are made in the individual trading accounts, i.e. by HI in its trading account and HDB in its trading account. The people making the trades are the same people from HA that recommend the trades. To be clear, HA's owner and principal is Karen Bruton. She recommends trades from HA's perspective but executes the trades for either HI or HDB because she is authorized from each entity to make trades. Likewise, HA's employees recommend trades from HA's perspective but execute the trades for either HI or HDB. That is because two of the employees of HA are authorized to make trades for HI; Alex Nicholson and Todd Harman. Two of the employees of HA are authorized to make trades for HDB; Jill Shelby and Todd Wortman. Therefore, references hereafter in this document to HA "making trades" or "offering trading advice" means that it recommends trades but the trades are executed by the agents of each Client.

HA offers investment advice for investments in the stock market to HI and HDB. The stock market ("Market") is defined in the HI's CPPM and for HDB as follows:

HA has full authorization to invest the funds of HI and/or HDB into the financial instruments market [i.e. the sale, purchase, and trading of financial instruments traded on public financial markets, including but not limited to stocks, stock indices, exchange-traded funds (ETFs), real estate investment trusts (REITs), mutual funds, bonds and currencies and derivatives of these instruments including but not limited to options, futures, and swaps], hereinafter referred to as the "Market."

HA does not tailor its advisory services to the individual needs of its Clients, in that its advice and trading practices for its Clients, HI and HDB, are generally the same and the underlying investors in those Clients share the results, pro-rata, of the trading activities for HA's Clients. Therefore, the individual investors in the Clients (or either Client) cannot and do not have authority to impose restrictions on investing in certain types of securities. Each of the Clients, HI and HDB, have provisions in each LLC in which individual investors (as members of each LLC) may request withdrawal of their funds. Investors in each Client, as Members of each LLC, invest subject to the CPPM for HI and the Operating Agreement for HDB. Individual investors do not have the authority to "impose restrictions" on HI or

HDB. HI and/or HDB must operate and make investments in the manner disclosed to each investor and as is restricted in each Client's Organizational documents.

HA does not participate in "wrap fee" programs.

HA manages the Client assets on a discretionary basis of HI in the amount of \$114,157,686 as of March 31, 2013. HA manages the Client assets on a discretionary basis of HDB in the amount of \$105,231,542 as of March 31, 2013.

HI and HDB have separate bank accounts and separate "thinkofswim" trading accounts. The bank accounts are managed by each Client's managing member; Mr. Hart for HDB and Ms. Bruton for HI. The trading accounts are managed by authorized agents for each Client. The authorized agents for HDB are Karen Bruton, Jill Shelby and Todd Wortman. The authorized agents for HI are Karen Bruton, Alex Nicholson and Todd Harman. These agents are all employees of HA, except that, in this single member LLC, Karen Bruton is the single member and, as such, is not defined as an employee by the IRS, but is an agent and the single member/owner of the LLC. These authorized agents of HI and/or HDB implement the advice on trades of HA, in the trading accounts of each Client.

#### **Item 5. Fees and Compensation.**

HA is an IA for two Clients. Both Clients are pooled investment funds ("Fund" or "Funds") in which all investors in the Funds split the profits on trades made by the Managing Member of each Fund, pro-rata (or in the case of HDB - the authorized representative of the Managing Member), based on specific investment advice of HA to each Fund. Individual investors in each fund are not treated separately concerning the investment advice of HA. All investments or trades are made for each Client as one pooled investment Fund and not for individual investors in each Client. Individual investors share results, pro-rata, with all other investors/members of each Client. In the classic sense of an individual investor retaining a stock broker to individually manage his or her investment account, that type of relationship is not present between HA and its two Clients; the pooled investment Funds HI and HDB.

The method of payment of the Incentive Fees for both Clients is described herein. Generally, as a "hedge" fund, in the classic sense, the investors in each Fund receive eighty percent (80%) of the profits on trades and the "trader" or hedge fund manager receives twenty percent (20%). As gains on sales are realized, the profits are allocated to the investors; eighty percent (80%) pro-rata and to the trader; twenty percent (20%), as the gains are realized.

The fees are not deducted from Clients assets or "billed" to the Clients for fees incurred. These are not mutual funds with hundreds or thousands of individual investors. In HA's Clients, the individuals are investors in one of the two Funds; and eighty percent



(80%) of the profits are allocated between them, based on the amount of money in each investor's capital account, pro-rata. The only fee schedule is the twenty percent (20%) Incentive Fee described below.

Fees from TD Ameritrade or "thinkorswim," the trading account, are deducted on each trade, at the time of the trade, "above the line" if you will, and are netted directly into realized gains or losses on each trade before the calculation of profits are made, i.e. before the division of the eighty percent (80%) and the twenty percent (20%).

TD Ameritrade charges fees for each transaction. For example, in the event HA recommends that HI purchase an option contract on a broad based equity index such as the S&P 500 Index, then TD Ameritrade charges seventy-two cents (\$.72) for each contract purchased. In the event HA recommends that HI purchase an option on a futures contract on a broad based equity index such as the S&P 500 Index, then TD Ameritrade charges two dollars (\$2.00) for each contract purchased. These transaction costs are deducted from HI's trading account with "thinkorswim," a division of TD Ameritrade, and retained by thinkorswim as the trade is made. As stated above, these fees are netted against any gains or losses on the investment in each contract for the Clients, before the Client is charged its twenty percent (20%) Incentive Fee. HA or its Clients, HI and HDB, receive no benefit from the TD Ameritrade fees in any way. These transaction costs are paid by each Client directly from its trading account as a trade is made; with the holders of eighty percent (80%) of the profits paying their share and the holder of the twenty percent (20%) Incentive Fee, paying her share.

Clients do not select the method for the payment of fees by each Fund to TD Ameritrade or the method for the payment of the Incentive Fee to the trader (except as that method is agreed upon by the investor making his or her investment in the Fund selected). With HA's two Clients, both methods are individually and specifically agreed upon in each investment document such as HI's Contribution Agreement based upon its CPPM or HDB's Operating Agreement. In HDB's case, as a closely held Tennessee limited liability company ("LLC"), the method is agreed upon and may be changed or modified within the parameters of that LLC, pursuant to its Operating Agreement, and, as described above, that LLC has an IA/CPO Agreement with HA that has a thirty (30) day termination clause. HDB's investors have withdrawal rights described in HDB's Operating Agreement.

In HI's case, the Tennessee LLC is a Regulation D offering (described above) and is controlled by its CPPM and Operating Agreement. It also has an IA/CPO Agreement with HA with a thirty (30) day termination clause. The payment of Incentive Fees is set out in the CPPM and may only be changed or modified by the holders of the Class C Membership Interests and all Class A members/investors, and then only in compliance with all of its LLC documents (i.e. the CPPM, each investor's Contribution Agreement and/or HI's Operating Agreement). The Incentive fee cannot be changed without each individual investor's agreement. The sole holder of the Class C Membership Interests is Karen Bruton. All investors in HI have agreed upon withdrawal rights controlled by the CPPM and HI's Operating Agreement.

Clients (and the individual investors in those Funds) only “selection” possible on the payment of fees is by each individual investor’s decision to invest in the Fund, as described in each Client’s respective documents. Therefore, “billing” of Clients is not an issue. Each month individual investors in the Clients receive a “report” that outlines specifically all realized gains and losses (and unrealized gains and losses as required by NFA) on trades and the respective Incentive Fees on these trades.

HI pays no fees to HA, except as outlined below. HI pays all fees, including fees to HA, out of HI’s Managing Member twenty percent (20%) Incentive Fee as is described in its CPPM and Operating Agreement. All fees are paid by the Managing Member, Karen Bruton, out of her Class C Membership Interests.

HDB pays the twenty percent (20%) Incentive Fee to Karen Bruton and she pays almost all of the fees to HA out of that the twenty percent (20%) Incentive Fee. HDB also pays some payments directly to HA, **but not payments** or fees in the nature of the Incentive Fee. HDB pays \$1500 per month. HDB also pays some other expenses and matching taxes for the salaries that HA pays the traders.

HDB pays to Karen Bruton, and she pays HA, out of her Incentive Fee, \$98,333 per month that is used for salaries (and a guaranteed payment) for the Investment Advisors Karen Bruton, Jill Shelby and Todd Wortman. The \$98,333 amount is paid by Karen Bruton from her Incentive Allocation/Incentive Fee each month **and is not paid** by HDB to Karen Bruton over and above the twenty percent (20%) Incentive Allocation/Incentive Fee. HDB also benefits from the same type of “High Water Mark” clause that HI benefits from as described herein. By far the majority of any fees HDB pays to Karen Bruton, and she pays to HA, are paid out of the Incentive Fee HDB pays to Karen Bruton. The fees and expenses HDB has agreed to pay HA over and above the Incentive Fee are as follows: HDB pays the equivalent of the matching FICA portion of the payroll paid by HA to its employees with a like amount attributed to Karen Bruton for her guaranteed payment from HA. HDB also pays the medicare portion for the HA employees and Karen Bruton. HDB pays a \$1500 per month fee to HA pursuant to its Investment Advisor Agreement with HA. HDB pays other expenses of the HDB, such as attorney fees, accounting fees, travel and office/miscellaneous expenses.

HI pays to the holder of the Class C membership interests, Karen Bruton, and she pays to HA, out of her Incentive Fee, \$93,333 per month that is used for salaries (and a guaranteed payment) for the Investment Advisors Karen Bruton, Alex Nicholson and Todd Harman. The \$95,333 amount is paid by Karen Bruton from her Class C Membership Interests Incentive Fee each month **and is not paid** by HI.

Clients do not pay any fees in advance to HI or HDB nor do any investors in HI or HDB pay any fees in advance. Therefore, there is no refund policy for a “prepaid” fee.



Neither HA nor any of its employees, as employees in an Investment Adviser or as Principals/Associated Persons registered with the Commodity Futures Trading Commission ("CFTC"), receive any compensation for the sale of securities (as a securities broker may receive for the purchase or sale of securities for his or her clients). All (and the only) compensation for any member or employee of HA originates from the Incentive Fees paid to the holder thereof as discussed hereinabove.

Therefore, there is no conflict of interest by HA or its personnel because no "compensation for the sale of securities" is paid. Any potential conflicts of interest between HA and its Clients is described on page 12 below.

HDB could elect, pursuant to the approvals required in its Operating Agreement, to purchase any investment products it wished within the definition of the "Market" outlined above. To date, it has only invested in the manner described herein with Karen Bruton (and two of her employees) as traders.

HI, as a Regulation D Offering and pursuant to its CPPM, is not formed to invest in any other manner than as described herein so investors in HI, to invest in other ways, would have to withdraw their investments from HI and make investments and trades in other ways as they see fit.

More than fifty percent (50%) of HA's revenue from the two advisor Clients, HI and HDB, does **not** result from commissions and other compensations for the sale of investment products HA recommends to its Clients, including asset-based distribution fees from the sale of mutual funds. Therefore, there is nothing to disclose concerning commissions that provide HA's primary or exclusive compensation.

HA does **not** charge advisory fees in addition to commissions or markups. In fact, HA does not charge commissions at all. It only charges the set fees referred to above. Therefore, there is nothing to disclose concerning whether HA will reduce its advisory fees to offset the commissions or markups. HA has specifically disclosed all fees in this section of this its Brochure.

## **Item 6 Performance-Based Fees and Side-By Side Management**

HA receives a twenty percent (20%) Incentive Fee; thoroughly disclosed in Item 5 above. Neither HA nor any of its supervised persons manage both accounts that are charged an Incentive Fee **and** accounts that are charged any other type of fee, such as an hourly or flat fee, or an asset-based fee. Therefore, there is no conflict of interest for HA between accounts/Clients charged different types of fees, because HA does not charge its Clients different types of fees. HA has fully disclosed all fees in Item 5 above.



## Item 7 Types of Clients

HI and HDB have been thoroughly discussed above. Both are pooled investment Funds. Both are Tennessee limited liability companies. Both have individual investors, including individuals, retirement accounts and various types of trusts. The minimum investment in HI is \$250,000, which is disclosed in its CPPM. This "investment" is not considered "an account" in the classic sense of a mutual fund, but is accounted for as a capital account in HI. HDB is closely held, with only six (6) members, and has no minimum investment amounts but does also maintain capital accounts for its members. It is not foreseeable at this time that HDB will modify its requirements or accept new members.

## Item 8 Method of Analysis, Investments Strategies and Risk of Loss

HA trades exclusively for its Clients and is authorized by its Clients to trade in the Market, defined on page 4 above. HA reserves the right to trade in the Market. HA's strategy is to invest in option trading on broad based equity indexes; the S&P 500 Index, the NASDAQ 100 Index or the Russell 2000 Index (the "indexes"). This includes options on broad based equity indexes, options on futures on broad based equity indexes and futures on broad based equity indexes. The trades in options on futures on the broad based equity indexes and futures on broad based equity indexes are considered "commodity interests" by the CFTC.

HA and its Clients, HI and HDB, thoroughly explain to investors in the Clients that ***the risk of loss in investing in the Market is that investors may lose all of their investment and investors should be prepared to accept a loss of all of their investment.*** Investors in HA's Clients are only liable or "at risk" for the amount of their investment. The funds invested are at risk, as described clearly above and in the CPPM and HDB's Operating Agreement, but the investors in each Client are not at risk for any amounts beyond the balance in their respective capital accounts.

HA generally invests (recommends to HI and/or HDB to invest) fifty percent (50%) to eighty percent (80%) of the Client's available funds so that it stays well within the TD Ameritrade margin requirements described below. Each Client has a Portfolio Margin Account with "thinkorswim," a division of TD Ameritrade and, therefore, operates under the guidelines of portfolio margining as defined by TD Ameritrade. Portfolio margining aligns margin requirements with the overall risk of the portfolio as shown in the example below. TD Ameritrade assesses the risk of loss for all of HA's trades. Trades can be described as "positions." TD Ameritrade using, for example, HI's Net Liquidating Value (the value of HI's assets if all positions are closed), creates a range that determines the margin limits allowed for the upside and downside of all the positions open in HI. The upside and downside are calculated under TD Ameritrade's portfolio margining guidelines. These limits are ten percent (10%) above the current market value of the index in question (for call positions and short futures) and twelve percent (12%) below the current market value of the index in question (for put positions and long futures). A margin call will be issued by

TD Ameritrade at the end of the trading day if the values of the open positions at either limit exceed the Net Liquidating Value of HI's assets for any of the indexes in which HI has current positions.

For example:

On February 27, 2013 the Net Liquidating Value of HI was \$108,000,000. At that time the current value of the S&P 500 was 1516. (The S&P 500 is one of the three indexes traded and is the index used in this example.) One hundred and ten percent (110%) or 10% higher than 1516 is 1668 (110% of 1516 = 1668).

At that time in HI's open positions, the calculation by TD Ameritrade of HI's ten percent (10%) upside position was \$51,000,000, while the Net Liquidation value was \$108,000,000. Therefore, for the possible upside margin call from TD Ameritrade to occur, HI's upside position would need to be greater than \$108,000,000. Since HI's upside calculation was only \$51,000,000, HI was well within the margin requirement by \$57,000,000 ( $\$108,000,000 - \$51,000,000 = \$57,000,000$ ).

At that time in HI's open positions, the calculation by TD Ameritrade of HI's twelve percent (12%) downside position was \$62,000,000, while the Net Liquidation value was still \$108,000,000. Therefore, for the possible downside margin call from TD Ameritrade to occur, HI's downside position would need to be greater than \$108,000,000. Since HI's downside calculation was only \$62,000,000, HI was well within the margin requirement by \$46,000,000 ( $\$108,000,000 - \$62,000,000 = \$46,000,000$ ).

If the value at the close of the trading day at either range limit described above exceeds the Net Liquidating Value of HI, TD Ameritrade issues a margin call. To prevent a margin call, HI closes positions and brings the exposure of open positions back within the allowed range or HI "hedges" open positions, which would also return HI's positions back within the allowed range. However, if there is a margin call, HI would settle the margin call with cash only.

HDB is managed in the same manner.

The options trading described above are made on federally regulated exchanges. For example, the Chicago Board of Exchange ("CBOE") handles the options trades on the three indexes on which HA makes trades for its Clients; i.e. S&P 500 Index, the NASDAQ 100 Index and the Russell 2000 Index. The Chicago Mercantile Exchange ("CME") handles futures for these same indexes, and options on futures for these indexes.

There are no material restrictions or limitations on HA's ability to trade for its Clients (and there are no restrictions on the Client's ability to trade). To the extent there are any



material restrictions on trading, the restrictions are that HA and its Clients must invest only in the Market as defined above.

The options on the broad based equity indexes and the futures on the options on broad based equity indexes (the S&P 500 Index, the NASDAQ 100 Index and the Russell 2000 Index) that HA recommends as trades for its Clients are regulated federally by the CFTC and the SEC. The rules of NFA and FINRA also control the trading.

The custodian of the funds of HI and HDB is "thinkorswim," a division of TD Ameritrade Clearing, Inc. but it does not act as a broker-dealer for HA's Clients. TD Ameritrade Clearing, Inc. is HA's Futures Commission Merchant ("FCM"). The account does earn interest from "thinkorswim." All interest earned is added to each Client's net realized gains or losses each month to increase the gains or offset losses. The net realized gains or losses are then allocated among the investors in each Client, pro-rata. When each Client has net realized gains, twenty percent (20%) of the interest added, as a portion of the net realized gains, is a portion of the Incentive Fee effectively (but not directly) paid by the Clients.

#### **Item 9 Disciplinary Information**

HA, or its Clients, or any employees, members, principal or associated persons of HA or its Clients have been or are under any disciplinary action or proceeding.

HA is working with NFA on the drafting of NFA's required Disclosure Document, and is working with NFA on the disclosure by HA and its Clients of unrealized gains and losses on a monthly basis. A question on the calculation of Incentive Fees, including adding to the calculation unrealized gains and losses, is in the decision process between HA and NFA.

#### **Item 10 Other Financial Industry Activities and Affiliations**

HA is registered as a CPO and because of that fact it is authorized to act as a CTA. Karen Bruton, Jill Shelby, Todd Wortman, Alex Nicholson and Todd Harman are registered with the CFTC as Principals of HA and as Associated Persons with HA. They are also members of NFA.

TD Ameritrade Clearing, Inc. is the futures commission merchant ("FCM") for HA and its Clients in the trades made by them. Each of HA's Clients has a trading account with "thinkorswim."

HA has a bank account with the Regions Bank at the Cool Springs Branch in Franklin, Tennessee. HI has a bank account with the Renasant Bank at the Green Hills Branch in Nashville, Tennessee. HDB has a bank account with the Bank of America at the Main Office in Nashville, Tennessee.

Blankenship CPA Group, PLLC serves as a CPA firm for HA, HDB and HI.

George M. Johnson, P.C., of Brentwood, Tennessee is counsel and acts in a compliance capacity for HA and HI. Bass Berry & Sims PLC, attorneys, of Nashville, Tennessee, represent HDB along with Alexandra Poe of Reed Smith PLC of New York, New York.

### **Item 11 Code of Ethics, Participation or Interest in *Client* Transactions and Personal Trading**

HA is an Investment Advisor. Rule 204A-1 under the Investment Advisers Act of 1940 ("Advisers Act") requires all investment advisors registered with the Securities and Exchange Commission ("SEC") to adopt codes of ethics that set forth standards of conduct and require compliance with federal securities laws.

HA has adopted a written Code of Ethics to set forth its standards which it holds in the highest esteem. These standards have been followed by HA since its inception. The welfare of HA's Clients are its primary concern. The policies and procedures established in this Code of ethics are to insure that HA's Client's investments are carefully administered and protected. The Code of Ethics covers HA's Principals, Associated Persons and employees. All persons associated with HA agree to and agree with this Code of Ethics. This Code is intended to reflect fiduciary principles that govern the conduct of HA and its associates in those situations where HA acts as an investment advisor as defined under the Advisers Act in providing investment advice to clients ("advisory clients").

This Code of Ethics is available to all of HA's Clients and the Client's investors upon request.

HA and its employees are investors in HA's Clients and stand exactly in the same position as all investors according to the terms of the CPPM and/or HDB's Operating Agreement. HA and its employees all have a conflict of interest in that they could recommend for the Client's to make trades that are more risky trades than are necessary in order for the "traders" to earn the Incentive Fee.

Other than as stated above, HA and its employees are not aware of any conflicts of interest, but to be certain all aspects of the relationship between HA and its Clients are thoroughly disclosed, HA is owned by Karen Bruton, she is the Managing Member of HI and she is authorized by the Managing Member of HDB to make investments on behalf of HDB. HA and its Clients have agreements between them for the HA to be the IA and CPO for the Clients.

### **Item 12 Brokerage Practices**

HA does not use brokers or retain brokers in its trading. HA and its Clients have an



FCM TD Ameritrade Clearing, Inc., as disclosed above.

### **Item 13 Review of Accounts**

HA has only two accounts; its Clients HI and HDB. The trades made and positions taken for those Clients are reviewed constantly while the market is open. On some occasions, as deemed necessary by the traders, the positions are “watched” and “reviewed” at all times for as long as is necessary.

The investors in each Client receive reports on the status of their accounts, according to HI’s CPPM and HDB’s Operating Agreement, on a monthly basis.

### **Item 14 *Client* Referrals and Other Compensation**

No one provides economic benefit to HA or its Clients for providing investment advice or other advisory services to HA or its Clients. HA and its Clients’ investors or associates, by word of mouth, often refer investors to HA. No compensation is paid to those that may refer investors to HA or its Clients, directly or indirectly, in any form or fashion. All investors are treated equally.

### **Item 15 Custody**

The funds of HI and HDB are in separate thinkorswim trading accounts by TD Ameritrade and thinkorswim has custody of those funds. According to TD Ameritrade, the correct legal name for the custodian is TD Ameritrade Clearing, Inc., as identified in Item 7.B.1. on Schedule D of Form ADV Part 1. To the extent that HA is able to direct trading in those accounts, it is also considered to have “custody” of the funds of HI and HDB, however, as described in Item 4 above, HA’s agents recommend trades that are made by agents of each Client, HI and/or HDB. TD Ameritrade will begin sending monthly account statements for the equity accounts for the month of July of 2013, in August 2013, to the investors in HA’s Clients. TD Ameritrade has indicated to HA and its Clients that it is not able to send the monthly futures account statements to HA and the investors in its Clients. Investors in the Clients of HA will receive these equity statements from TD Ameritrade as the qualified custodian for the funds. Investors in HA’s Clients should carefully review these monthly statements.

Investors in the Clients of HA will also receive monthly account statements from HI and/or HDB. These HI and HDB statements will include both the equity and futures trades for the Clients, but the futures “side” is not broken out in these statements. The investors in the Clients should compare the account statements they receive from the qualified custodian with the account statement they receive from HI and/or HDB.

## **Item 16 Investment Discretion**

HA has discretionary authority to recommend trades in the Market on behalf of HI and HDB; which the Clients implement in their own trading accounts. The investors themselves have no authority to limit or influence the investments made in the investment pools, HI and HDB. The authority to trade in each investment pool is described in the CPPM of HI and the Operating Agreement of HDB. The investors may exercise their withdrawal rights in the Funds.

## **Item 17 Voting *Client* Securities**

HA has not recommended investments or trades for HI and/or HDB in securities with voting rights in any of its investments since the inception of the company. In the event HA does purchase securities with voting rights, it will, within the meaning of section 206(4) of the Investment Advisor Act (the "Act") (15 U.S.C. 80b-6(4)), exercise voting authority with respect to Client securities, but not before it has complied with the Act. In complying with the Act, it will:

- (a) Adopt and implement written policies and procedures that are reasonably designed to ensure that HA votes Client securities in the best interest of Clients, which procedures must include how HA addresses material conflicts that may arise between HA's interests and those of HA's Clients (and the investors in the Clients);
- (b) Disclose to Clients how they (and the individual investors in the Clients) may obtain information from HA about how HA voted with respect to their securities; and
- (c) Describe to Clients (and the investors in the Clients) HA's proxy voting policies and procedures and, upon request, furnish a copy of the policies and procedures to the requesting Client and the investors in the Clients.

## **Item 18 Financial Information**

HA does not require or solicit prepayment of more than \$1200 in fees per Client, six months or more in advance. In fact, HA does not require or solicit prepayment of any fees from any Client, in advance or otherwise. All fees have been disclosed in Item 5 above.

## **Item 19 Requirements for State-Registered Advisers**

HA is filing a notice filing with Tennessee pursuant to T.C.A. Section 48-2-121(c) and as is defined in T.C.A. Section 48-2-102(7).